

# Merrill Lynch, Pierce, Fenner & Smith, Inc.

## Settlement Agreement

DATE: October 1, 2002 RESPONDENT: Merrill Lynch, Pierce, Fenner & Smith, Inc.

ALLEGATIONS: The Settlement Agreement contains a "[global settlement](#)" negotiated by the New York Attorney General and the North American Securities Administrators Association. The Settlement Agreement incorporates by reference the allegations contained in an affidavit signed by Eric R. Dinallo, Chief of Investment Protection, New York State Department of Law, which was filed in support of a civil lawsuit brought by the New York Attorney General against Merrill Lynch. In general, the affidavit alleges that research analysts at Merrill Lynch made recommendations to the investing public that were contrary to their true privately-held opinions, and that these recommendations were tainted due to conflicts of interest from the firm's investment banking business. ORDER: Respondent Merrill Lynch agreed to make several structural changes to reduce the conflicts of interest between investment banking and research, particularly with respect to analyst compensation, and to more fully disclose the conflicts that continue to exist. Further, respondent Merrill Lynch agreed to pay \$500,000 to the State of Kansas.

**Notice to Investors:** If you are not a resident of Kansas and have been affected by actions that are similar to those described in this synopsis, you should consider contacting your state securities regulator for assistance. To locate your securities regulator, go to the [North American Securities Administrators Association](#) website. If you choose to contact your state securities regulator, please inform him or her of the action taken by the State of Kansas.